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# **The Art of Re-Industrialisation in Shanghai**

## **Abstract**

This paper deals with the development of 'art clusters' and their relocation in the city of Shanghai. It first looks at the revival of the city's old inner city industrial area (along banks of Suzhou River) through 'organic' or 'alternative' artist-led cultural production; second, it describes the impact on these activities of the industrial restructuring of the wider city, reliant on large-scale real estate development, business services and global finance; and finally, outlines the relocation of these arts (and related) cultural industries to dispersed CBD locations as a result of those spatial, industrial and policy changes.

Xin Gu, Queensland University of Technology, Australia.

[X1.gu@qut.edu.au](mailto:X1.gu@qut.edu.au)

## **Introduction**

Since the 1980s in many western countries the arts and cultural industries have become increasingly associated with the inner urban areas of older, especially de-industrialised, cities<sup>1</sup>. For many commentators the urban 'new economy' lies at the heart of inner city restructuring (Scott, 2000; Cooke and Lazeretti, 2008; Hutton, 2010; Van Heur, 2010). They point to the process of replacing old manufacturing-based industrial activities with new knowledge-based industries, bringing with them new networks of production and exchange, along with new kinds of workers that transform the industrial system of the inner city. There is a 'convergence' of culture with advanced technology and manufacturing as well as other business services, and a blurring of boundaries between production and consumption (and perhaps 'high art' and 'popular culture') operating across different local and non-local communication channels. In the European and North American context the 'regeneration' of the inner city often meant an adaptive re-use of industrial land in the context of its abandonment or degradation (Feinstein, 1999; Cowie et al, 2003; Vickery, 2007).

Initially colonizing these derelict, marginal spaces as a kind of 'alternative economy' in the 1980s, the arts and cultural industries were increasingly sought out by policy-makers for their urban regeneration effects (enhancing first the symbolic, then the economic value of the built environment) and as harbingers of a new, post-manufacturing economy (Oakley, 2011; O'Connor, 2012; Hesmondhalgh, 2012). That is, a kind of 're-industrialisation' of the inner city (Hill, 2010). Arts and cultural industries have been attracted to the place-based networks of learning and exchange (Crewe and Beaverstock, 1998 Brown et al 2000; Currid, 2007; Bathalt et al, 2004; Scott, 2007), to the aesthetic and cultural associations of the built environment (Drake, 2003; Shorthose, 2004; Hutton, 2006), and to cheap space made available by the exit of traditional manufacturing industries.

From the 1990s (though Sharon Zukin (1982) had already noted this much earlier in SoHo, New York) it became clear that arts and cultural industries and processes of urban regeneration were not always in harmony. Not only did increased symbolic value ('cool') lead to higher property prices and rent, forcing out many artists and small businesses, but consumption drove out production as retailers sought the higher 'up-market' foot traffic that came in pursuit of new kinds of leisure experiences (Lange, 2005; Heur, 2010). Indeed, many cities were more interested in the impact of these cultural activities on city branding, and sought to develop highly visible 'iconic' buildings or quarters for cultural consumption (often by a 'creative class' (Florida, 2005)) rather than try to support the more messy, dispersed ecosystems of cultural production (Pratt, 2004; Evans, 2009).

In Europe and North America these processes of inner city 'gentrification' thus play out a game of de-industrialisation/ re-industrialisation in quite complex ways, as many arts and cultural industries seem constantly on the move around these inner city areas (Hutton, 2010). The arrival of artists in the inner city was central to Sharon Zukin's SoHo story: as the graffiti had it, 'artists are the storm-troopers of gentrification'. However, much literature has shown since that whilst artists might spark the initial process of gentrification they are rarely winners in the process (Ley, 2003; Rantisi, 2006; Markussen, 2006). Similar things could be said about other small cultural clusters, such as Manchester's Northern Quarter (O'Connor and Gu, 2010; Bell and Jayne, 2004).

The newer Chinese cities, on the other hand, present a somewhat different face. Shanghai has also undergone dramatic de-industrialisation since late 1980s, leaving it with a huge amount of ex-industrial infrastructure. But the emergence of a new cultural economy into the city was by no means a latter-day replica of what went on in the West (O'Connor and Gu, 2012). First, if we look at Shanghai, we can see that the decline of industrial activities in the inner city was never the pressing policy problem it was in these older industrial cities. After a swift transition, Shanghai quickly rebuilt a new inner city populated with a burgeoning financial services sector; urban space in the centre was only fleetingly 'derelict'. Under these circumstances, the emergent cultural economy was much more vulnerable to the pressures of an expanding real estate boom, and to local government priorities of supporting this commercial development –including the provision of housing for the newly rich local and expanding international migrant community who were to work in these new financial and business sectors (Wu and Yeh, 2007). A cultural economy was never intended to be part of the plan for the new economy of the inner city in Shanghai!

Second, there has been a sharp rise in the number of white-collar workers servicing the new city centre businesses (and a concomitant decline of manufacturing workers). But the sorts of media and design services associated with this sector in western cities are still emerging and are not as integrated into this service sector as they are there. These services are underutilized, under-valued, fragmented and dispersed across the city. Indeed, the fully commercialized 'creative class' (Florida, 2005), mixing artistic, bohemian and entrepreneurial values is much less developed in China generally. Arts and cultural industry workers have only just recently entered the commercial scene after decades of state institutionalization. There is a mutual lack of understanding and recognition

between the arts and cultural sector and the new business services sector to which the creative industries discourse assigns so much of their activity.

In this paper I do not want to discuss any policy interventions aimed at keeping the arts and cultural industries in the inner city; rather I want to outline those factors of resilience which continue to embed these activities in locality, history, built environment and cultures of production and consumption. This is certainly not to say that arts and cultural industries are immune to urban gentrification, nor that we should fall into the neoliberal trap of letting the cultural industries fight with developers in order to prove their own worth. I simply want to argue that the arts and cultural industries are part of the trajectory of the post-manufacturing city; that they are building complex relationships with business services, relocated manufacture, property development and urban branding strategies; and that they are also part of the social and cultural fabric of the city. As a consequence any initiatives by the national or local government to promote the 'cultural creative industries' as part of an 'innovation economy' must also begin to address the urban milieu within which they are embedded if they are to be in any way sustainable.

This paper documents the development of 'art clusters' and their relocation in the city of Shanghai. It first looks at the revival of the city's old inner city industrial area (along banks of Suzhou River) through 'organic' or 'alternative' artist-led cultural production; second, it describes the impact on these activities of the industrial restructuring of the wider city, reliant on large-scale real estate development, business services and global finance; and finally, outlines the relocation of these arts (and related) cultural industries to dispersed CBD locations as a result of those spatial, industrial and policy changes.

### **Suzhou Creek as the 'Artisan Cluster' – New Uses for the Post-industrial City Fringe.**

The 1842 Treaty of Nanjing, which up opened Shanghai along with four other port cities to foreign trade, marked the beginning of industrialization in the city. The British began the construction of an administrative and financial centre on the bank of the Huangpu river, known as The Bund. The northern limit of this 'concession' area was marked by Suzhou Creek, one of the main entry points into the complex maze of waterways which covered the Yangtze delta region, by far the richest in China. Industrial activity emerged early around Suzhou Creek, first warehouses and then factories beginning to line its banks. Whilst initially under the managerial and financial control of the British, from the 1880s Chinese entrepreneurs began to move into the area in increasing numbers (Bergere, 2009). The Zhabei district on the north bank of the creek very quickly became one of the foremost centres of both Chinese and soon Japanese-led industrialization in the city. China's first textile warehouses, flour factory, brewery and woollen factory all emerged in this area. In 1920s, there were 256 factories in Zhabei district alone – 45.23% of the entire industry sector in Shanghai. (Han 2004)

From the early 1990s, the Shanghai municipal government began to move manufacturing out of these older industrial areas to sites on the periphery of the city (Zhong, 2010). Empty factories and warehouses now stood as reminders of the area's older industrial

past and its more recent period of building socialism - seemingly left behind by some new phase in the city's economic expansion. Ten years on from then, the urban regeneration process demanded that these warehouses and factories be demolished. In the meantime, these warehouses had become part of a different, unexpected kind of economy.

The take-off of art clusters occurred in less than ten years, from the first ones in the late 1990s to their rapid proliferation after 2005<sup>ii</sup>. With the relocation of manufacturing activities to other places, Shanghai's old industrial infrastructure became the precondition for the re-industrialization by arts and cultural industries. During this period, art production, exhibition and adjacent services gathered along the banks of Suzhou Creek attracted by the cheap rent, big 'dirty' spaces and the historical resonance of the area as crucial to Shanghai identity. In the late 1990s, many of these warehouses along the banks of Suzhou Creek had been informally rented out to artists and art galleries, pre-eminent among them no. 1131 and no. 1133 West Suzhou River Road. These two buildings are still remembered by many artists because they gathered together a group of avant-garde artists and galleries, who then went on to become the face of Shanghai on the international art circuit (Zhong, 2010). Within two years these artists had transformed the two old warehouses into (what were to become) model 'art clusters' in Shanghai.

It all started in 1998 when Taiwanese architect Teng Kun Yan moved into No. 1305 on the south bank of Suzhou Creek and started the 'art warehouse' movement. It was at roughly the same time that Chinese artists had become 'freelancers'. Artists, like everybody else in China, used to be employees of state entities, or 'work units' (*Danwei*). Many visual artists worked at local universities. In the 1990s the state divested itself of much direct responsibility for art and cultural employment, and many artists were forced to make a living on the (barely emergent) market (or 'jumping into the sea' as it was called, *xia hai*). This encouraged the commercialization of art and culture because the barriers (economic, legal and, to some extent, cultural) between the artists and market had finally been lifted. But things were not straightforward. First, after being institutionalized for decades, artists weren't sure how to turn what they did, what they had been trained to do, into something they could make a living from. On the other hand, though artistic ideas were exploding but there was no common measure for evaluating contemporary Chinese art. "Everyone was doing what they believed to be good art but nobody seemed to understand who should be judging it and on what basis' (interview with artist<sup>iii</sup>). That is, the 'art world' described by Howard Becker barely existed in the city, let alone that later and more complex set of networks dubbed 'The Warhol Economy' by Elizabeth Currid (2007). Once outside state patronage artists had to look elsewhere for new ideas, new identities and new forms of recognition. These self-organising clusters in the warehouses along the creek helped artists to exchange ideas among themselves and tap into hitherto unknown international trends and networks which gradually came to replace the old state-centred system.

When artists moved into warehouses, they were entering a risky new world caught between the market - which they are not yet sure how to master or even approach - and those state institutions from which they had just escaped. On the one hand, they didn't know where to find buyers; on the other, various associated costs of their production that

used to be covered by their *danwei* were now expected to be paid from their own pocket. So the early artist clusters first, had to be cheap and second, large enough to allow the clustering of art studios. Warehouses were cheap at the time because of their temporary (unofficial, tolerated) status (nobody knew what might become of them) and had the spatial capacity for clustering. Whilst the method of clustering provided for a sharing of limited resources, at the same time it also provided a means of building reputations and generating publicity for groups of artists who would be otherwise scattered around the city. It opened the opportunity for their work to be 'spotted' by international galleries. Some artists interviewed were frank about the reason why they chose to locate in clusters: 'to be close to galleries and foreign artists'.

Art clusters are both working and living places, for artists whose work is so intertwined with their everyday life. A typical arrangement of a studio consisted of a workshop, a place for display, and a place for meeting friends, clients and media. Such a blurring of boundaries between creative production and personal business in one space is more a deliberate than an enforced choice. As one artist explained, the work itself is only part of the artistic creative practice; the rest revolves around the artists' everyday living experience. Each informs the other. The studio is where both work and social life take place. It's not strange, therefore, to see that art clusters are different to conventional business clusters in terms of daily routines. Some artists, especially those not from Shanghai originally, would sleep in their studios. Some had full time jobs and would only come to their studios at night time. The 9-5 working rhythm didn't apply in art clusters.

Spacious factories and warehouses are ideal places for exhibitions - and galleries like to be close to the artists they represent. Clusters joining production with exhibition proved to be the perfect location for galleries, who began to move into clusters in the early 2000s. *East Gallery* was among the first art galleries to locate in a warehouse. Most of the artists it represented had a studio in the same warehouse. *Shanghart* - the most well-known art gallery with its impressive collection of contemporary Chinese art - found its home in M50, an ex-factory which had begun as an refuge for artists after the demolition of the earlier warehouses in the late 1990s. The spatial capacity of the warehouses and factories supported the development of exhibitions and events which were a key part of the emergent 'art world'. *Shanghart*, for example, would host events and large exhibitions in its gallery at M50. Its spacious gallery rooms with high ceilings and attic windows (the old factory boiler room) became social salons attended by many well-known names in Shanghai's art scene.

Artists were drawn to the unique character of the clusters not only because of the spatial capacity they offered but also they represented a past that demanded appreciation before it was completely lost. The interiors of the art studios often contained remnants of its previous usage. Old boilers, switchboards, lighting and bookshelves are now displayed as quasi-art objects to remind people of the connection between their art and this particular history. But such informal, spontaneous preservation was soon to be absorbed within the cultural tourism economy of Shanghai, which had itself become more conscious of the usefulness of such industrial heritage. The film 'Suzhou River' (Dir. Lou Ye, 2000) used the area's dereliction as the backdrop for its tragic contemporary love affair. It used two

of the artist's studios (Ding Yi and Zhang Engli) in No. 1131 West Suzhou Rd and seeded the idea of art clusters as tourist destinations. (Han 2004) Extensive media coverage by CCTV, CNN and NHK saw the idea of Chinese art clusters embraced by the mainstream and also brought them to an international audience. This international publicity was less about the art itself and more about the phenomenon of art clustering. It fed into the revaluation of these old warehouse spaces as key sites for the accumulation of international image value which was not to be lost on local developers.

Art-led clusters have rarely been exclusive to artists; architects and designers have frequently been ready to follow. Small design studios liked the feel of the space and the opportunity of being surrounded by 'art'. This would later infuse a new breed of businesses and commercial activities in art clusters. Some artists would become designers of commercial products at the same time as pursuing their more radical artworks. Freelance and project-based design jobs tended to happen more often to artists based in clusters because of an exchange of tacit knowledge and the formation of trust between artists and design firms located within arms length. *Canon* – a printing studio and hardware company organizes regular art shows for M50's artists and 'it's through building connections with artists and understanding local art trends, that we can develop an effective strategy within the Chinese market' (interview with *Canon Shanghai* manager).

The initial fame of clusters was owed to their 'international' identity. The first wave of artist clusters was largely unknown to the locals. One artists told me: 'only westerners and gallery owners ever come.' Since early 1980s, many international artists came to Shanghai and they soon joined those artists based in these warehouses – or as they were soon to be known, 'creative industry clusters'. These connections allowed Chinese artists to extend their networks outside China. International galleries and cultural organizations played an important role here. *Bizart* and *Shanghart* were among the earliest art galleries/agencies aimed at opening up distribution channels for Chinese artists. The British Council also involved *Bizart* in its artists exchange programme, based at M50. Other national agencies also began to organize artist events and exchanges, though not under the 'creative industries' banner. Indeed, such exchanges weren't confined to traditional art forms, and foreign agencies made links with fashion, performing art, photography and music – the sort of connections described by Elizabeth Currid as the 'Warhol Economy'. These foreign galleries and organizations were powerful catalysts for a new kind of contemporary Chinese 'art world'.

This clustering of artists and their networks encouraged the commercialization of these activities, and in this the galleries played a key role. Galleries gradually formalized these artistic networks into a clientele system; each gallery had its stable of artists. High-end amenities followed to serve the needs of a new kind of international visitors<sup>iv</sup>. In time, these more commercial activities that sustained the international reputation of the clusters would produce the condition for the displacement of the production of art and culture in clusters. These early moves towards commercialization and international cultural exchanges in the art world led to the gradual accumulation of global cultural or image capital within clusters and contributed to the growing international profile of Shanghai

(Wu, 2006). It also legitimized the use of industrial land by 'culture' which was the turning point for Shanghai's post-industrialization – from demolition to re-structuring. As such the process would soon be captured by planners, developers and cluster managers who, in part, would halt the urban demolition process and rebrand old industrial sites based on the already viable image of these artist clusters.

### **The Displacement of Art from creative clusters**

The gradual displacement of art studios from creative clusters should not be seen somehow as a result of their commercialization by galleries. Observers have pointed to the increase in display space over production as indicative of a decline in artistic authenticity (Hee et al, 2008). In fact access to markets, local (if possible) and international, was not at all seen as a bad thing by artists. The initial motivation for the clusters was, as we have said, not just about places to work but about the building of small 'art worlds' between officialdom and an unknown market. The emergence of more commercial art activities in a situation where there is very little public subsidy for art was therefore welcomed. Many artists turned their studios into display places, shifting their 'dirty space' production to cheaper sites elsewhere. The displacement that mattered was more to do with the kinds of commercial development that took place around these clusters. Early galleries had been closely embedded in the micro-art worlds of the clusters. The increasingly commercial orientation of the new CIC managers involved both a more hierarchical top-down relation to the arts and cultural tenant businesses, and a failure to take care of those aspects of place identity, aesthetics and socio-cultural networks which made clusters work for artists in the first place. They were seen as profit centres without any concomitant understanding of how to manage such complex entities (O'Connor and Gu, 2012).

This displacement process emerged from the alliance of local government and property developers which was the main urban transformative force in Shanghai, as in urban China generally (Wu and Yeh, 2007). It had been agreed by this 'growth coalition' that raising the property market in old industrial areas was crucial for the regeneration of the city. Many of these areas had been associated with 'urban decay' – environment degradation, crime and lower social classes. The story of Suzhou Creek's redevelopment since the emergence of these informal art clusters in the early 2000s mainly concerns the remarkable pace of residential growth. Real estate prices rose by up to fifty times in the area adjacent to M50. It was the contribution of creative clusters - through the introduction of a new, high culture identity - to this phenomenal rise in property prices that was unexpected.

In 2005 the term 'creative industry cluster' (CIC) was formalized and adopted as a major policy plank for the promotion of the creative industries by the city (Zheng, 2009; Zheng, 2010). Since then, CICs became a local growth phenomenon, with over a hundred registered by 2009, and many becoming popular tourist destinations. M50, is the 'original model' of Shanghai CICs, not just as an 'organic' bottom-up unplanned cluster but because of the connection made between these activities and the owner-managers of the old factory – *Shanghai Textile Group*, a State Owned Enterprise (SOE). The artistic



clustering around M50 occurred at a critical moment for SOEs, facing market restructuring but still having responsibilities to the retired workforce. The artists' adoption of warehouses represented a source of income that was at first viewed as temporary or 'better than nothing'. The combination of new businesses willing to pay higher rents; the growing international profile of these and their visitors; the increased recognition of symbolic capital by a city whose global ambitions now incorporated 'culture'; and the imprimatur given by the adoption of the term 'creative industries' by the municipal government pushed the CIC model into the mainstream of local economic activity. CICs managed by state enterprises, allowed these state owned entities to upgrade their inner city assets by embracing an innovative, future looking, advanced cultural economy in a way that would be impossible with other kinds of industry. It was not just symbolic capital leading to enhanced property prices; the retention of the term 'industry' allowed existing land-use designation to remain unchanged, but now capable of commanding commercial rents. This Chinese version of the 'rent gap' led to extremely rapid investment into CICs by developers with some serious consequences for their over-supply, quality and public policy effectiveness (Zheng, 2010; O'Connor and Gu, 2012).

Most of the 90-odd new clusters never had any arts presence; those that did witnessed a gradual displacement thereof. Since the early 2000s, design, new media, architecture and other digital based firms started to move into the Suzhou Creek area competing for space with the older art studios. Clusters such as M50, which had always been primarily visual art clusters, started to introduce production design firms and other design based companies. Other newly formed clusters have declared that they are design exclusive. Design firms are a lot more commercial than the art businesses in outlook. They also tend to separate work and life in ways that the artists did not, using the spaces differently. They introduced the 9-5 routine into clusters which changed the atmosphere in significant ways. Although many of the new media firms initially moving into clusters were still small to medium in size, they were willing to pay for a better environment for their businesses than were the art studios - which have always resisted paying for 'renovation'. Managers and developers preferred to have formal media design businesses rather than the informal art ones. Design firms are more predictable, cooperative and commercial. They coordinate well with the routine of residential areas in terms of the 9-5 - more than the art ones: one interviewee told me 'locals complain sometimes about noise from the studios late at night...they don't know what's going on.. they worry about crimes when they see weird looking people coming in and out...'. Newly formed clusters often looked to attract design firms largely because their acceptance by residents.

Interviews with artists, cluster managers, designers and other local residents revealed the composition of the new cultural economy along the banks of Suzhou creek. It demonstrated the tendency towards displacing artists and their studios in this area. 'Suzhou Creek' - one of the first few warehouses dedicated to emerging Chinese artists - was shut down by the local government. Interviews with the government officials suggested that it was due to health and safety issues in the building. Some key informants believe that the lack of confidence in the building's financial and social sustainability is the real reason for its shutdown. Others blame the relentless progress of urban gentrification. 'Suzhou Creek' was located in the poorest part of the city - the epicenter

of Shanghai's first migrant population lived here. Although most of these local residents have been relocated, this area is now accommodating the city's new urban migrants who occupy the old houses on a temporary and illegitimate basis. Poor living conditions, rubbish and crime gave it a bad reputation in the eyes of the local district government and they couldn't wait to get rid of it. 'Suzhou Creek' like many other factories and warehouses became the victim of urban gentrification.

M50, with the highest concentration of artists and art galleries in Shanghai, became a landmark for the city's burgeoning cultural tourism, often compared to *798 Art Zone* in Beijing. M50 is a complex case. The management who first allowed artists into the old factory is still in place and represent a real accumulation of experience derived from lengthy discussions and negotiations with the artist tenants over the years. It has engaged in extensive upgrades since 2005 and has increasingly sought to bring in more galleries and commercial art activities. It has attempted to become a 'brand' and has franchised the M50 name to other art clusters well outside the city centre. This has brought criticism from observers, about the over commercialization of the cluster. However, in many ways this was also a continuation of its attempts to develop the market for art in Shanghai. Its attempts to develop an on-line resource for the contemporary art sector in Shanghai could be seen as an attempt to act as development agency in lieu of the absence of any other forms of sector support by the government (Zhong, 2009; O'Connor and Gu, 2012).

If clusters are about access to work space in the context of both artistic milieu/ networks and the learning effects around developing connections to market, then at some point these functions might separate out. Spaces of artistic production are not necessarily the same as spaces of socialization or spaces of sale and display. Lily Kong's (2009) point about the confusions surrounding artistic clusters is well made (and Hans Mommaas (2009) makes similar points about clusters more generally). Beijing's *798 Art Zone* is constantly criticized for no longer being the edgy, bohemian, oppositional centre it once was; which may be true. However, one might argue that it has adopted another function, that of a primarily point of connection with the global contemporary art world. The arrival of major international galleries – such as the Saatchi Gallery– and the government decision to develop a range of prestigious art and design institutes in the area have transformed the area from an artist cluster into a piece of global art world infrastructure.

Though the location and a size of M50 (*798 Art Zone* is a much larger factory complex on the outskirts of Beijing) made it unlikely that it would follow this route, what developed around it was not commercial contemporary art activity so much as the commercialisation of artistic image. Galleries have growth up on the streets around M50 but they do not have the connections to the 'art world'; they are targeted at international cultural tourists. More pointedly, the real commercial development involved the demolition of an old machinery factory and an old-style residential building next door to M50: people are waiting for new plans although most believe that they are going to build more up-market residential buildings. The Flour Mill not far from M50 has also been demolished and was believed to be earmarked for a high end (though unspecified) 'entertainment centre'. M50, safe for now as a cultural landmark, generating cultural

capital for residential development profit; the commercialization of art was a small player in comparison<sup>v</sup>.

Most recently the banks of Suzhou Creek have seen a quickened pace of commercialization which has further minimized the presence of artists and their activities. Many art studios have closed or relocated. Within the established art clusters, art studios have been edged out to make way for galleries, craft shops, cafes and restaurants resembling the character of an entertainment cluster. There is a substantial amount of renovation work being done to the old art clusters to prepare for these new industries. They target mainly high-end crafts shops, design firms and amenities. Teng Kun Yan's no. 1305 exchanged hands amongst many owners after him. Its current owner is renovating the building to rent it out to high-end design and architectural firms with a boutique hotel at the back of the building. This seems like not a bad plan at all considering all the high-end arts and crafts shops newly opened up in the same complex. Even the road between the river and these warehouses has had an expensive facelift. Here the commercialization of culture is represented in the physical form of the water-front space and its association with arts and culture – not the former 'exclusive' production process of art, but the increasingly 'open' and 'inclusive' activity of cultural consumption.

In the wake of its up-market residential developments, the Suzhou Creek area is increasingly losing its 'art' identity. For the local residents, this might be nothing to regret because, after all, local residents had found limited connection with these art enclaves. It could be argued that the different perception of 'what's good for the area' between the artists and other local residents reflect the uneasiness during their period of co-existence in the same space. However, though a more open access for casual consumers might appear inclusive, and though perhaps the late night comings and goings might be more acceptable, the exclusions of local residents continue. Most CICs have guarded gates and what's on offer inside can only be afforded by tourist and local with the required taste and disposable income (cf. Zhong, 2009).

That the banks of Suzhou Creek stopped being the epicenter of Shanghai's art world was not just a result of local processes of gentrification but a deliberate 'creative industries' strategy on behalf of local government and developers aiming at global image and local development profit. CICs, though ostensibly about developing the creative economy, were regarded as a variety of international business services particularly suited to old factories. The recognition of the potential of art clusters such as M50 did not result in a systematic investment in contemporary art infrastructure as in Beijing but in the utilization of 'art image' for development as usual.

### **The Relocation of Art to the City Centre**

The analysis of art clusters in the old industrial area of Suzhou Creek demonstrates both the opportunities and the constraints faced by arts and cultural industries in revitalizing urban spaces. The limiting factor in such a process lies in Shanghai's ultimate pursuit of gaining global city status, with a concentration of international corporate headquarters and financial services. These are the dominant factors in reshaping Shanghai's new urban

landscape in terms of the capital and real estate access required to sustain these industries in the city. Shanghai's district governments have always lubricated deals for international corporate actors with local developers in the conversion of the Bund financial quarter, the mega-transformation of Pudong New District and more recently in the 2010 World Expo. In the recent turn to creative industries, foreign companies have also been given priority in the marketing and branding of CICs as if this is the only way to become internationalized. In comparison, the fate of newly formed creative businesses in the city is not so auspicious. Their use of space is often temporary and volatile, as the eddies of larger development processes move through the urban fabric. Increasingly, even temporary space is becoming scarce, making way for high-end housing and amenities in the city.

However, we might also interpret the movement of artists out of CICs into the wider city not just as a specific form of gentrification but also as indicative of a maturing (or at least mutating) arts and cultural industries ecology. The early clusters represented a refuge, an emerging 'art world' in miniature; their isolation from both official patronage structures and markets was part of the initial *raison d'être* of the move to the warehouses. We have also noted their isolation from surrounding communities, something perhaps to be expected in such innovative socio-cultural practices (thought replicated by the later official clusters); they were also quite isolated from the wider urban social milieu, again re-enforcing their 'enclave' status. Moving out of the official art clusters was thus also a process of re-connecting the space of their cultural production to the wider city ecology.

Many of my younger artist interviewees suggested that the official clusters were cultural industry 'prisons', separating their activity from the wider life of the city. As with arts and cultural activities in the West, these activities do not just create and trade specific goods and services but also produce and reproduce social and cultural relations and identities. Many of the social networking activities that initially took place within clusters have now opened outwards; nowhere is this more evident than in the proliferation of on-line networks, which intersect with these social networks in complex ways (Bathalt and Turi, 2011). This has implications for CIC policy itself. They have been seen as profit centres, generating rent and tax revenue for the managers, owners and local government (often these are difficult to disentangle). However, many of the activities associated with clusters in Europe and North America (the original model) involved the production of public goods, public spaces and public value which fed into the wider 'creative milieu' – events, encounters, exhibitions, knowledge exchange, identity, place-making and so on. These are mostly absent from CICs in Shanghai. The sorts of socio-cultural activities engaged in by arts and cultural industries are not encouraged or accounted for in these official clusters; they are peripheral to profit. Yet the profits such CICs command came from a policy ruling that creative industries were 'industries' and thus could avoid the increased tax and rents payable for normal commercial activities (though they were themselves charging commercial rates to their tenants). The ostensible reason for this was to support the creative industries rather than operate as what is now primarily a real estate mechanism. As such there are issues around CICs as both creative industry and cultural policy strategies which need to be addressed (cf. O'Connor and Gu, 2012).

Increasingly arts and cultural industries have sought to locate their activities within the spaces of the city rather than the CICs. The tendency for artists to be attracted to inner city spaces can also be read as a development of the economic, social and cultural networks in the 'art world'. Indeed, in the absence of publicly funded alternatives, artists in Shanghai have accepted the necessity of working close to the commercial end of the art (and design) world. At the same time this commercial art world has become more developed within the space of the inner city as a whole; Shanghai's artists have followed. Although most of these inner spaces are for temporary use, it is still important for them to be close to the inner city networks – to be close to the businesses with which they have traded and untraded relationships<sup>vi</sup>.

Shanghai's old colonial quarter, the 'French Concession' provides one of the the most important cultural landscapes in the CBD. Its old residential and office buildings were used as social housing until the 1990s when their historic character led to a widespread process of listing and preservation. Cleared of many of their original occupiers property prices soared in the area with its reputation for attracting foreign tenants and young local professionals. The planning of the area however is not so straightforward due to its complicated constituents. Some of the buildings in the area continue to be occupied by low-income families who cannot afford to move elsewhere without government subsidy. Some buildings in the area are under the ownership of military departments and central government institutions which set a number of many restraints of straightforward property dealing. On top of these factors, the preservation which created much of the symbolic capital in the local property market also constrain extensive renovation. The result was a certain level of opportunity in the area for artists.

Over the past four or five years, artists started to move into the French Concession, renting flats and buildings in the area. The things that prevented developers from engaging in major renovations and demolitions have worked in their favour. Though rents have rocketed, small scale ownership persists, allowing for lower entry levels and greater flexibility. In the French concession there is the street life that was never there in the warehouses. It is a residential and commercial area with rather blurred boundaries between work and play - which is exactly what the artists wanted. It's a more desirable area to live in, with many amenities patronized (and kept afloat) by the expat communities and professionals who work in the finance and business services in the nearby CBD. Recently the French concession has turned itself into a cultural tourism destination with foreign tourists wondering through the streets day in and day out. They form a strategic market for Chinese art. Many artists have taken the advantage of being close to their potential 'buyers'. Although some artists felt uncomfortable with being so close to their market, it is increasingly becoming a distinctive model for Shanghai based artists. There are regular art salons, exhibitions and networking events hosted in various locations in the area. Exhibitions scattered across different, unusual locations and the temporary adaptive use of older office, residential and commercial buildings from the 1960s and 1970s, replicates trends found in many western cities and feeds into Shanghai's global city discourse.

The presence of other small scale creative businesses including design, film, music, architecture, new media and photography also contributed to the character of the area attracting niche services such as coffee shops and restaurants. In comparison to the art clusters in the Suzhou Creek area, the French Concession's urban regeneration was much more intuitive, organic and smaller in scale. But even with all the difficult issues with the buildings in terms of ownerships and heritage, the distinctive development path of cultural production in the area will inevitably contribute to the acceleration of the property market. In our last round of research, it was observed that the entry rate for small businesses had risen significantly. This is likely to change the momentum of cultural activities in the area leading to an even more temporary use of the space and possibly more complicated negotiation between developers and local governments.

## **Conclusion**

The emergence of art clusters in industrial areas along the banks of Suzhou Creek since the late 1990s came from the necessity driving artists to 'take the plunge' after being institutionalized for decades. Art clusters allowed an early accumulation of knowledge as to how to an institutionalized sector might gain access to a market about which they knew little and was dominated by major players outside China. The development of small 'art worlds' provided mutual support, resource sharing and the building of reputations and peer assessment. They also allowed the galleries and other international cultural agencies to make inroads into local Shanghai art scene. Though frequently isolated from their immediate local communities these enclaves were soon connected to wider circuits of global cultural capital. This has often been presented as a process of commercialisation driving out artists from the clusters but in fact much of this was welcomed, insofar as it opened up access to global art markets for artists with no chance of public subsidy. The real problem followed from the recognition of the global image potential of these clusters, and the development of a mechanism – the official Creative Industry Cluster policy – which allowed these clusters to become major real estate engines. The management of the clusters, with some exception, paid little attention to the sorts of 'untraded interdependencies', social networks and public goods produced by the earlier creative clusters. They were primarily seen as profit sectors for a specific kind of creative business service. In addition, even when not in themselves profitable their promotion could be seen as part of the wider re-development of the surrounding area in a classic form of culture-led urban gentrification.

On the other hand, the relocation of Shanghai's art industry from city fringe warehouses to the French Concession might be seen to reflect the fact that there were more opportunities for art as an 'industry' in the city core where a more incremental planning process has allowed the development of a more complex cultural milieu. A new arts scene has emerged, with conversions of old residential buildings in the French concession into galleries and workshops; more recently we have seen the re-use of office buildings outside of working hours for art salons, independent film screening, music gigs, and art workshops.

From this short case study we can observe that arts and cultural industries have a more complicated correlation with inner city space than simply cheap rents and the convenient scale of buildings. If initially this seemed the case in Suzhou Creek, the isolation of these from the emerging districts of the city centre – such as the French Concession – soon suggested to many the possibility of leaving the ‘enclave’ and entering the inner city milieu. It would seem that the dispersal of arts and cultural business within the space of the inner city – what we might call ‘organic’ clusters – seems a crucial trend amongst the more commercially oriented, at least in Shanghai. It is here that they can connect with the complex network of social, cultural and businesses services that marks the ‘cognitive-cultural economy’ (Scott 2007) elsewhere. However, the relentless pace of Shanghai’s expansion of business and financial services may not give such ‘organic clusters’ time to mature, as the available space for small scale, even temporary use, begins to dwindle.

Meanwhile official clusters located in non-central locations will find it increasingly difficult to attract small-scale arts and cultural businesses. They might be popular among particular cultural sub-sectors (such as product design businesses) due to their spatial capacity. Other cultural sectors such as animation and film will also favor official clusters due to national policy priorities and directives (Keane, 2012). But even within these cultural sectors, we have already found certain strategic production procedures likely to be near organic clusters in the inner city. Policy makers need to recognize that the success of creative clusters cannot rely on rent subsidy and physical space alone. Policies for creative industry clusters need to prioritize smaller enterprises and recognize their reliance on adjacent industries, services and markets. But this would lead them into conflict with what at the moment is a primarily real estate growth model. The conflict between investment (political and economic) already sunk into these clusters and the growing criticism of their usefulness will be a test case of the adaptability of urban cultural policy in Shanghai in the coming years.

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<sup>i</sup> In this paper I use the term 'arts and cultural industries' rather than the 'creative industries'. The UK government renamed the former as 'creative industries' in 1998 (DCMS, 1998) and since then there has been much debate about terminology. The DCMS 'mapping document' included traditional art forms, industries involving 'mass reproduction' (television, recorded music, cinema etc.), new media (computer

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games, internet content etc.) and design related (fashion, architecture, graphic design, advertising etc.). Attempts have been made to separate the 'cultural' from the 'creative' and indeed both of these from 'the arts'. I suggest that such distinctions have been largely incoherent (Pratt, 2005; O'Connor, 2010) and use the term 'cultural industries' to designate those activities which involve the production of symbolic texts (Hesmondhalgh, 2007). I add the term 'arts' in only to underline the fact that I include artistic activity – which is often barely commercial and does not involve mass reproduction – within the wider cultural economy of the city.

<sup>ii</sup> The consequent transformation of the area can be seen in a sequence from the 2010 film *I Wish I Knew* (discussed separately by O'Connor and Fong in this issue), directed by Jia Zhang Ke.

<sup>iii</sup> The fieldwork on which this paper is based involved over 30 interviews and 40 site visits – including more detailed ethnographic investigation in key sites. The research was conducted during five one-month field trips between January 2009 and August 2011. The research was funded by the Australian Research Council as part of a Linkage Programme: *Creative Clusters, Soft Infrastructure and New Media: Developing Capacity in China and Australia*. The partners are Shanghai Jiaotong University, Creative 100 (Qingdao) and Arup, Sydney.

<sup>iv</sup> Many of the services in clusters were initially owned and managed by artists themselves. For instance, 'the bar' in M50 next to *Shanghart* is designed by artist Xue Song and was managed by him, *Shanghart* and *Bizart* together. It was initiated to serve the needs of artists to meet and talk business outside of their studios. It was never intended to operate as a commercial business catering for the wider public. Since the formalization and expansion of creative clusters in 2005, these services are mostly run by the management companies as a key source of profit (though more often in aspiration than in reality).

<sup>v</sup> A similar process could be seen in the 1930 millfun development. An old art deco slaughterhouse was developed as a creative cluster, but its main business model was the generation of cultural capital in the area around it. The developers want to create an 'artistic district'. When I asked if artists would live there the development manager replied: "Of course not, they can't afford to live in the city centre". (cf. O'Connor and Gu, 2012)

<sup>vi</sup> It is understandable therefore that if a cultural sector tends to maintain less commercialized (or at least to be seen as so), it will move away from the inner city. For example, Shanghai's experience is different to Beijing. Beijing's art sector related in part to the city's status as the cultural capital of China and has always distanced itself from the market. Most of the art sectors in Beijing can be found in suburban locations and artists from Beijing are renowned for not interested in 'selling' art!